



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

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JUL 25 2018

RE: MUR 6848
Chrysanthly T. Demos

Dear Messrs. Lenhard and Lawlor:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting your client, Chrysanthly T. Demos, may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). On July 17, 2018, the Commission found reason to believe that Chrysanthly T. Demos violated 52 U.S.C. § 30116(a)(1)(A) in connection with a contribution totaling \$2,497,400. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is enclosed for your information.

We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that your client has a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. This matter will remain confidential in accordance with 52 U.S.C. § 30109(a)(4)(B) and 30109(a)(12)(A) unless you notify the Commission in writing that your client wishes the matter to be made public. Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.¹

In order to expedite the resolution of this matter, the Commission has authorized the Office of the General Counsel to enter into negotiations directed towards reaching a conciliation agreement in settlement of this matter prior to a finding of probable cause to believe. Pre-probable cause conciliation is not mandated by the Act or the Commission's regulations, but is a voluntary step in the enforcement process that the Commission is offering to your client as a way to resolve this matter at an early stage and without the need for briefing the issue of whether or not the Commission should find probable cause to believe that your client violated the law. Enclosed is a conciliation agreement for your consideration that includes other Respondents, George Demos and Friends of George Demos and Robert Cole in his official capacity as

¹ The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

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1 **FEDERAL ELECTION COMMISSION**

2 **FACTUAL AND LEGAL ANALYSIS**

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4 RESPONDENT: Chrysanthy T. Demos

MUR 6848

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7 **I. INTRODUCTION**

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9 This matter was generated by a complaint filed with the Federal Election Commission
10 (the "Commission"), concerning allegations that former congressional candidate George Demos
11 lacked sufficient personal assets to fund \$2.5 million in loans he made to his campaign.¹ The
12 Commission previously found reason to believe that George Demos violated 52 U.S.C.
13 § 30116(f). The Commission's investigation indicates that Demos did not have the personal
14 funds necessary to make \$2.5 million in loans to his campaign and instead used funds belonging
15 to his wife, Chrysanthy T. Demos. Accordingly, the Commission found reason to believe that
16 Chrysanthy T. Demos violated 52 U.S.C. § 30116(a)(1)(A).

17 **II. FACTUAL BACKGROUND**

18 Evidence obtained during the Commission's investigation reveals that Chrysanthy Demos
19 provided the funds that Demos used to lend to his campaign. The investigation also confirmed
20 that Demos did not have access to personal funds independent of Chrysanthy Demos sufficient to
21 allow him to fund the loans. Instead, the facts show that Chrysanthy Demos provided Demos
22 with access to the funds that were used to fund the loans to the campaign just weeks before
23 Demos filed his statement of candidacy, indicating that the funds were provided for the purpose
24 of influencing Demos's election.

¹ See 52 U.S.C. § 30109(a)(1).

1 Although in statements to others, Demos referred to “family money” as the source of the
2 loans to his campaign, the bank records reveal that the funds he used for the loans were derived
3 from a bank account held solely by his wife. In a sworn declaration, Chrysanthy Demos states
4 that the funds used for her husband’s campaign loans “came from assets that were in our joint
5 account prior to him becoming a candidate,” and that “none [were] derived from a contribution,
6 gift, or loan from [her] father” or from AKT “during the period of [her] husband’s candidacy in
7 2013 and 2014.”² Demos states that all of the money he loaned the Committee “came from
8 assets [he] owned with [his] wife before declaring [himself] a candidate.”³ Bank records indicate
9 that Demos did not have sufficient personal assets on his own to loan his campaign \$2.5 million;
10 instead, the candidate loans were derived from a transfer that Ms. Demos made into the couple’s
11 joint bank account just before he became a candidate.⁴

12 Demos was a candidate for Congress during the 2012 election cycle, but withdrew from
13 the primary election in May 2012, the month before his marriage to Ms. Demos.⁵ It appears that
14 before August 2013, the Demoses managed their finances using separate bank accounts. They
15 opened the joint account on August 27, 2013, just 10 days before the Commission approved the
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² Chrysanthy Demos Decl. ¶ 2.

³ George Demos Decl. ¶ 4.

⁴ Demos provided this Office with bank statements for a joint account he held with his spouse, as well as statements for his individually held accounts covering the time period from June 2013 through July 2014. See Ltr. from Robert Lenhard at 1-2 (Nov. 21, 2016).

⁵ The available information indicates that Demos withdrew from the 2012 Congressional campaign on May 25, 2012, citing his impending marriage to Chrysanthy Tsakopoulos in June. See Ltr. from Robert Lenhard at 2 (Mar. 24, 2017); Celeste Katz, *Wedding Imminent, George Demos Nixes NY-1 Bid*, NY DAILY NEWS, May 25, 2012, (reprinting text of e-mail Demos sent out announcing his withdrawal from the race), <http://www.nydailynews.com/blogs/dailypolitics/wedding-imminent-george-demos-nixes-ny-1-bid-blog-entry-1.1690577>.

1 termination of Demos's 2012 principal campaign committee and 29 days before Demos filed a
2 statement of candidacy for the 2014 election.⁶ Respondents explain that the Demoses decided to
3 open the joint account in August 2013, about a month after their first child was born.⁷

4 During the 2014 election cycle, Mr. and Ms. Demos held the joint bank account with
5 Citibank, and Demos had individual accounts with Citibank and HSBC Bank.⁸ There was little
6 activity in Demos's personal accounts, and with one brief exception, the total balances in all of
7 his accounts never exceeded \$31,000 during the 2014 election cycle.⁹ According to his House
8 Financial Disclosure Reports covering the same time period, Demos was not employed and did

⁶ See George Demos for Congress 2012, Termination Rpt. (Sept. 1, 2013); Termination Approval Ltr. (Sept. 6, 2013); George Demos, Statement of Candidacy (Sept. 25, 2013); Friends of George Demos, Statement of Organization (Sept. 25, 2013).

⁷ See Ltr. from Robert Lenhard at 2 (Mar. 24, 2017).

⁸ Demos's House disclosure statements erroneously disclosed a second joint bank account with HSBC Bank, and he declared that it had a balance ranging from \$1 million to \$5 million. During our investigation, however, Respondents identified only one joint banking account with Citibank. See George Demos, 2013 Financial Disclosure Statement (Dec. 2, 2013), http://clerk.house.gov/public_disc/financialpdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement (July 11, 2014), http://clerk.house.gov/public_disc/financialpdfs/2014/8216007.pdf. The HSBC Bank account was not a joint account, and it only held a balance ranging between \$1,001 and \$15,000. See E-mail from Robert Lenhard (May 22, 2017, 11:21 AM EST) (stating that financial disclosure forms erroneously reported status of HSBC account as a joint account); E-mail from Robert Lenhard attaching Letter to Clerk of the House dated May 30, 2017 (June 1, 2017, 7:57 PM EST). Additionally, contrary to Demos's 2014 Financial Disclosure Statement, the Citibank joint account had a value ranging from only \$500,001 to \$1,000,000 during 2014, and not from \$1 million to \$5 million. On May 30, 2017, Demos submitted a letter amendment to the House Clerk identifying the "inadvertent errors in the value ranges" and provided a corrected declaration but did not explicitly state that the amendment also included a correction to the ownership information for the HSBC account. E-mail from Robert Lenhard attaching Letter to Clerk of the House dated May 30, 2017 (June 1, 2017, 7:57 PM EST).

⁹ The aggregate balance from Demos's HSBC accounts was just under \$2,300 every month for that time period. See Ltr. from Robert Lenhard (May 19, 2017) at Attach. (HSBC records), MUR6848-00140-00160. His individual accounts held with Citibank carried an aggregate balance ranging from \$16,304 to \$28,240, with the exception of two months in the fall of 2013 when Demos transferred \$1 million from the joint account into his individually held money market account. *Id.* at Attach (Citibank Records), MUR6848-00088-00137.

1 not earn a salary.¹⁰ The joint Citibank account held the vast majority of the funds available to
2 Demos, and Demos acknowledges that he funded the entire \$2.5 million in loans to his campaign
3 using funds from that account.¹¹

4 Between August 27 and September 5, 2013, the Demoses made deposits into the joint
5 account of \$1,000; \$1,616.04; \$8,000; and \$20,000.¹² Then, on September 6 — the same day the
6 2012 committee terminated — Ms. Demos transferred \$3 million from her individually held
7 investment account with Bank of the West into the joint account.¹³ After that, Ms. Demos made
8 recurring monthly \$20,000 deposits into the joint account using funds from her investment
9 account.¹⁴ In total, between August 27, 2013, and July 1, 2014,¹⁵ \$3,217,112.24 was deposited

¹⁰ See George Demos, 2013 Financial Disclosure Statement (Dec. 2, 2013), http://clerk.house.gov/public_disc/financialpdfs/2013/8213601.pdf; George Demos, 2014 Financial Disclosure Statement (July 11, 2014), http://clerk.house.gov/public_disc/financialpdfs/2014/8216007.pdf. The candidate also listed no salary for 2012 and a salary of \$99,712 for 2011 in an earlier financial disclosure report. See George Demos, 2012 Financial Disclosure Statement (Oct. 25, 2012), http://clerk.house.gov/public_disc/financialpdfs/2012/8209315.pdf.

¹¹ Ltr. from Robert Lenhard, at 2 and Attach. (Citibank Records) (Nov. 21, 2016); Ltr. from Robert Lenhard at 1-2 (Mar. 24, 2017).

¹² Citibank Records at MUR6848-00001 – 00002.

¹³ See Ltr. from Robert Lenhard at 2 and Citibank Records at MUR6848 – 00001 (Nov. 21, 2016). Nineteen days after his spouse had transferred the \$3 million into the joint account, Demos filed his Statement of Candidacy for the 2014 election cycle, and the Friends of George Demos filed a Statement of Organization. See Statement of Candidacy (Sept. 25, 2013) and Statement of Organization (Sept. 25, 2013).

¹⁴ See Ltr. from Robert Lenhard at 2 and Citibank Records at MUR6848-0002 – MUR6848-00033 (Nov. 21, 2016); Ltr. from Robert Lenhard at 2 (Mar. 24, 2017). From August 2013 through July 1, 2014, those recurring deposits totaled \$180,000. Bank records indicate that smaller amounts were deposited into the joint account, but on an irregular basis. Those smaller deposits totaled \$39,228.38. See E-mail from Derek Lawlor (Mar. 29, 2017, 5:29 PM EST), Attach. (Citibank Records) at MUR6848-00062 – MUR6848-00076.

¹⁵ We included July 2014 in our review of Demos's financial records even though the last candidate loan was issued on June 23, 2014, because the last loan check did not post to the joint bank account until July 1, 2014.

1 into that account, including the \$3 million transfer.¹⁶ It appears that Ms. Demos made almost all
2 of those deposits from her individually held funds.¹⁷

3 Demos states that he and his wife “treated the funds placed into the joint account,
4 including the \$3 million transfer, as assets available for individual or joint expenses.”¹⁸ The
5 facts, however, reveal that the vast majority of the funds Ms. Demos deposited in the joint
6 account from its opening in late August 2013 to July 2014, the month after Demos lost the
7 primary election, were used to benefit Demos’s campaign in the form of loans to the Committee,
8 as shown in the chart below.¹⁹

Date of Loan to Committee	Amount of Loan
9/27/13	\$1,000,000
12/30/13	\$1,000,000
6/23/14	\$250,000
6/23/14	\$250,000

¹⁶ This amount includes earned interest but excludes the \$1 million transfer that Demos transferred back and forth between the joint bank account and his individual money market account. *See infra* at p. 5, note 19.

¹⁷ The Respondents acknowledge that Ms. Demos used funds from her account with Bank of the West to fund the \$3 million transfer and to make the \$20,000 monthly deposits into the joint account. *See* Ltr. from Robert Lenhard at 2 (Nov. 21, 2016); Ltr. from Robert Lenhard at 2 (Mar. 24, 2017). They do not specify, however, the source of the funds used for the other smaller deposits made into the account. Because those deposits appear to have been made through ATMs or at bank branch locations, and not through wire transfers, the bank statements also do not reveal the source of those smaller deposits.

¹⁸ *See* Ltr. from Robert Lenhard at 3 (Mar. 24, 2017).

¹⁹ Demos also transferred \$1 million from the joint account to his individual money market account on November 5, 2013, and transferred it back into the joint account on December 30, 2013. *See* Ltr. from Robert Lenhard at 2 and Attach. (Citibank Records) MUR6848-00010, 00020 (Nov. 21, 2016) (explaining that the transfer was an attempt to maximize earnings at a higher interest rate).

1 The remaining expenditures from the joint account were smaller withdrawals or debits ranging
2 from a few dollars to \$39,000 for personal and family expenses.²⁰

3 III. LEGAL ANALYSIS

4 No person, including a candidate's family members, shall make contributions to any
5 candidate or authorized committee with respect to any election which, in the aggregate, exceed
6 the Act's contribution limit, which was \$2,600 during the 2014 election cycle.²¹ Moreover, no
7 candidate or political committee shall "knowingly accept" a contribution that exceeds the
8 applicable contribution limit.²² The term "contribution" includes "any gift, subscription, loan
9 advance or deposit of money or anything of value made by any person for the purpose of
10 influencing any election for Federal office."²³

11 Federal candidates, however, may make unlimited contributions from their own "personal
12 funds" to their authorized campaign committees.²⁴ The Act and Commission regulations provide
13 that "personal funds" are (a) amounts derived from any asset that, under applicable State law, at
14 the time the individual became a candidate, the candidate had legal right of access to or control
15 over, and with respect to which the candidate had legal and rightful title or an equitable interest;

²⁰ *Id.* at 2 (stating that joint account was used for "shared income and expenses before and after Mr. Demos became a candidate"). Many expenses paid from the joint account were for amounts under \$100, and only four exceeded \$10,000.

²¹ 52 U.S.C. § 30116(a)(1)(A); Contribution Limits for 2013-2014, <https://www.fec.gov/updates/contribution-limits-2013-2014/>. See *Buckley v. Valeo*, 424 U.S. 1, 51 n.57, 53 n.59 (upholding the constitutionality of contribution limits as to family members, reasoning that, "[a]lthough the risk of improper influence is somewhat diminished in the case of large contributions from immediate family members, we cannot say that the danger is sufficiently reduced to bar Congress from subjecting family members to the same limitations as nonfamily contributors").

²² 52 U.S.C. § 30116(a)(f).

²³ 52 U.S.C. § 30101(8)(A)(i).

²⁴ 11 C.F.R. § 110.10.

1 and (b) income received during the current election cycle of the candidate, including a salary and
2 other earned income from bona fide employment; dividends and proceeds from the sale of the
3 candidate's stocks or other investments; gifts of a personal nature that had been customarily
4 received by the candidate prior to the beginning of the election cycle.²⁵

5 When a candidate uses "personal funds" derived from assets that are jointly owned with
6 his spouse, the amount is limited to "the candidate's share of the asset under the instrument of
7 conveyance or ownership;" "if the instrument is silent, the Commission will presume that the
8 candidate holds a one-half ownership interest."²⁶

9 In some past matters, the Commission has determined that joint bank accounts are not
10 subject to the one-half ownership presumption at 52 U.S.C. § 30101(26)(C) and the candidate
11 may utilize the entire amount as "personal funds" because each account holder of the joint bank
12 account had access and control over the whole account under the applicable state law.²⁷
13 Similarly, in some past audits, the Commission has determined what portion of a joint account
14 constitutes the personal funds of the candidate by considering whether "state law gives each party

²⁵ 52 U.S.C. § 30101(26); 11 C.F.R. § 100.33(a), (b).

²⁶ 52 U.S.C. § 30101(26)(C); 11 C.F.R. § 100.33(c).

²⁷ See, e.g., MURs 2754 (Lowey) 2292 (Stein) and 3505 (Klink); OGC Comments on Bauer for President 2000, Inc. – Proposed Audit Report (LRA #543), May 6, 2002, at 6 (discussing history of joint bank account exception to the one-half ownership presumption).

1 access to and control over the whole.”²⁸ The Commission, however, has not always been
2 consistent in how it determines how much of the funds in a joint account are the personal funds
3 of the candidate.²⁹ And, in more recent enforcement matters, the Office of General Counsel has
4 recommended that the Commission conclude that the candidate’s personal funds would not
5 include funds a spouse transferred from individually held assets into a joint account for the
6 purpose of financing the candidate’s own contributions to a campaign.³⁰ In MUR 6417
7 (Huffman), the Commission concluded that the entire transfer from the spouse to the joint
8 account shared with the candidate was an excessive contribution, but split on the same issue in
9 MUR 6860 (Terri Lynn Land).³¹

²⁸ See, e.g., OGC Addendum to Legal Analysis to Proposed Interim Audit Report on Friends for Menor (LRA 732) – Contributions from Personal Funds in Jointly Held Bank Accounts at 2 (July 2, 2008). Here, New York law governs joint accounts and states that that the assets held in a joint account are treated as a joint tenancy in which an individual’s deposit is a gift of one-half interest in the deposited funds to the other account holder. See N.Y. Banking Law § 675 (stating that deposits “shall become the property of such persons as joint tenants”). However, despite this rebuttable presumption that the funds belong to both account holders, and that the parties are “entitled to equal shares,” in ruling on disputes between account holders, New York courts have considered, among other factors, the source of the funds in the joint account. See N.Y. Banking Law § 675(b); see, e.g., *Phillips v. Phillips*, 70 A.D.2d 30, 38 (1979) (finding the one-half interest rule was rebutted and held that one spouse was not entitled to any of the funds in the joint account where only one of the spouses had contributed money to the account).

²⁹ See, e.g., MURs 4830, 4850 (Udall)(concluding candidate used only his half of assets in a margin account shared with his spouse to make loans to his campaign); MUR 4910R (Rush Holt)(taking no further action as to alleged excessive contribution by candidate’s spouse due to the small dollar amount and the “unsettled” state of law regarding treatment of assets in joint bank account); see also Advisory Op. 1991-10 (Guernsey Committee) (Commission found candidate was entitled to use up to one-half of funds in jointly held investment account for campaign without examining instrument of conveyance or ownership).

³⁰ See First Gen. Counsel’s Rpt. at 6-7, MUR 6417 (Huffman for Senate) (describing that transfers from the spouse were made 12 days after Huffman became a candidate and consisted of funds from spouse’s individually held account to which she had sole access); First Gen. Counsel’s Report at 9-11, MUR 6860 (Terry Lynn Land) (explaining that joint account funds used for the campaign consisted primarily of the spouse’s income and only a small portion was derived from the candidate’s own income).

³¹ See Factual and Legal Analysis at 3-4, MUR 6417 (Huffman for Senate); Amended Certification ¶ 1-3 (Aug. 10, 2011), MUR 6417; First Gen. Counsel’s Report at 9-11, MUR 6860 (Terry Lynn Land); Certification ¶ 1 (June 17, 2016), MUR 6860.

1 In this matter, the documentation obtained during the investigation shows that Demos
2 funded the loans to his campaign with money that originated from his wife's individually held
3 account that she transferred to their joint bank account shortly before he declared his candidacy.
4 At issue is whether Ms. Demos should be deemed to have made a contribution to the Committee
5 in connection with the loans. We conclude that the entire \$2.5 million in loans used to fund
6 Demos's campaign resulted in an excessive contribution from Ms. Demos.

7 Demos argues that all of the money in the joint account was available for his campaign
8 because it was in the joint account before he became a candidate, citing Commission precedent
9 excepting joint bank accounts from the half-interest rule applicable to other jointly held assets
10 under the personal funds definition.³² But the facts here support a finding that the transfer
11 constituted an excessive contribution. Unlike MUR 6860 (Land), where there was a lengthy
12 history of the family's mixing of funds in their joint accounts, the Demoses have no such history.
13 The bank records show that Ms. Demos provided the vast majority, if not all, of the funds in the
14 joint account: the \$3 million transfer and the \$20,000 monthly deposits all originated from an
15 account over which Ms. Demos had sole access.³³ And, as stated above, the majority of the
16 payments (*i.e.*, \$2.5 million from \$3,217,112.24 in total deposits) from the joint account funded
17 Demos's campaign and were not used to pay family expenses.

18 Additionally, the chronology of events — the opening of a joint bank account just days
19 before Demos's 2012 committee terminated, Ms. Demos's \$3 million transfer to the joint account

³² See Ltr. from Robert Lenhard at 4 (Mar. 24, 2017). The Commission also previously considered a possible joint bank account exception but did not adopt any changes to the regulation.

³³ *Supra* at pp. 4-5. Demos did not have any sources of income during this period and there is no indication that he used the limited funds in his individually held accounts to fund any of the transfers to the joint account.

1 just after that termination, and Demos's new declaration of candidacy for the 2014 election just
2 weeks later — combined with Demos's statements that he would have sufficient funds for a
3 campaign, indicates Ms. Demos transferred the funds to influence her husband's election. This
4 transfer gave Demos access to money that would not otherwise qualify as "personal funds."
5 Under these circumstances, the fact that the disbursements themselves originated from a joint
6 bank account is not dispositive.³⁴ Demos's argument for an exception fails in light of persuasive
7 evidence that Chrysanthy Demos transferred the \$3 million specifically for the purpose of funding
8 his campaign.

9 Because Chrysanthy Demos made no other contribution to the Committee, she was entitled
10 to contribute \$2,600 to her husband's primary election campaign. Subtracting \$2,600 from her
11 funds lent to Demos and the Committee (\$2.5 million) results in an excessive contribution by
12 Ms. Demos of \$2,497,400. Therefore, there is reason to believe that Chrysanthy Demos violated
13 52 U.S.C. § 30116(a)(1)(A).

³⁴ Although Demos had access to all of the funds in the joint account at the time he became a candidate, he may not have held a legal right to the entire amount in the account under New York law. *Supra* at note 28. Furthermore, even if the Commission concluded that Demos held an interest in half of the joint account, the loans would still have resulted in an excessive contribution from Mrs. Demos.